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4 August 1952

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[REDACTED]
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CURRENT INTELLIGENCE DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

This digest of significant reports has been prepared primarily for the internal use of the Central Intelligence Agency. It does not represent a complete coverage of all current reports received. Comments represent the immediate views of the Office of Current Intelligence.

DIA AND DOS REVIEW COMPLETED

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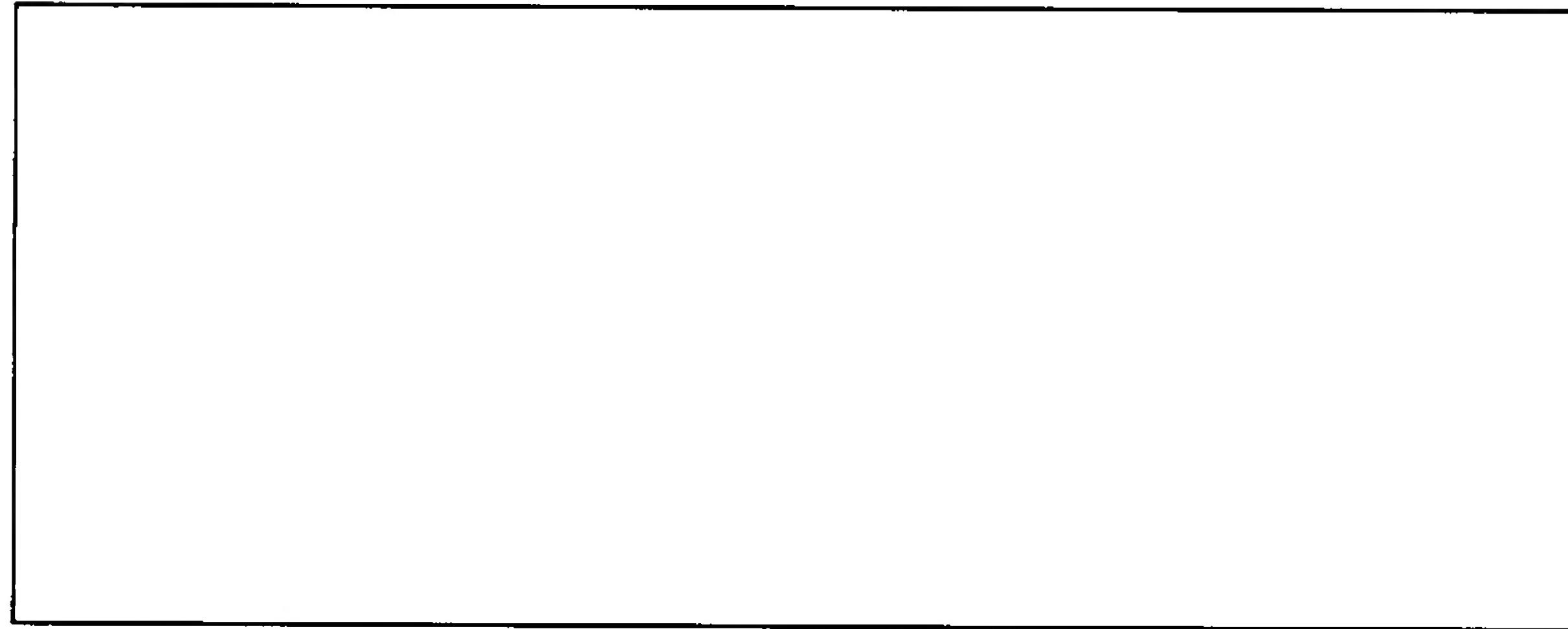
THIS MATERIAL CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE MEANING OF THE ESPIONAGE LAWS, TITLE 18, USC, SECS. 793 AND 794, THE TRANSMISSION OR REVELATION OF WHICH IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW.

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GENERAL

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SOVIET UNION

2. Western Ukrainians hold few local jobs: A July editorial in Radyanska Ukraina criticized the oblasts of Western Ukraine for not appointing local people to government and party posts. The article notes that the party committees continue to request experienced workers from the higher party authorities instead of "patiently training" local personnel. "In Drogobych Oblast there are only six local persons serving as Secretaries of Executive Committees of town and rayon councils, only nine local deputy chairmen, and many posts are not occupied at all."

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Comment: It is evident that party and government posts in the Western Ukraine are still being staffed by imported personnel from other more reliable areas, because apathy towards Communist indoctrination and a reluctance to serve in any

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official capacity still exist among the people in the Western Ukraine.

EASTERN EUROPE

3. Czech Government denounces payments in kind in effort to tighten control over distribution: Premier Antonin Zapotocky has recently denounced payments in kind which are still being made as bonuses to workers in certain consumer goods industries as apt to disrupt the rationing system and as unfair to workers in industries in which such bonuses are not given.

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Comment: The Czech Government is attempting by all means to maintain strict control of the distribution of scarce consumer goods so that it can utilize them most effectively as a political weapon.

4. Finnish Foreign Minister reportedly considering resignation: The American Legation in Helsinki reports that Foreign Minister Sakari Tuomioja's wife has intimated that he intends to resign his cabinet position because the combined jobs of Foreign Minister and Director of the Bank of Finland are too heavy a load. The Bank reportedly wishes to have him back full time in view of the unfavorable trend in foreign trade and the probable shift from inflationary to deflationary pressures in the Finnish economy.

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Comment: Tuomioja, a political independent, is highly respected in Finnish business and banking circles. He is considered to have a pro-Western orientation even though, like his predecessor in the Foreign Ministry, Ake Gartz, he is a member of the Board of Directors of the Finland-Soviet Union Society.

In naming a successor, Prime Minister Kekkonen would be guided by the necessity to appoint an individual who would not arouse the suspicion or distrust of the Soviet Union.

5. Hungarian factory leadership reproved for preventing workers from taking vacations: The Hungarian trade union newspaper on 30 July attacked work committees, social insurance councils and trade unions for poor control work that resulted in workers losing the benefit of their vacations. Instead of taking a

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rest, some miners reportedly cultivated their own farms, others took temporary employment, and some factory hands remained at their jobs during vacation periods in order to fulfill the plan. The newspaper reproved factory leaders who put plan fulfillment above the provisions of the labor code requiring vacations with pay.

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Comment: This article shows unusual solicitude for the welfare of Hungarian workers, who usually are exhorted to labor longer hours on Stakhanovite projects. It is possible that the trade union leadership is showing signs of opposition to the excessive demands made upon labor. However, the article simply may be a sop thrown to the workers. Certainly the party newspaper of the same day echoed the usual line, asking workers to fan "the flame of labor competitions" in honor of Constitution Day on 20 August.

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7. Poles contemplate a public trial for General Bor-Komorowski: A Polish Government broadcast announcing a commemoration ceremony on 1 August for those killed in the Bor uprising demanded a public trial of General Bor and other underground leaders. Josef Rokicki's book "Lights and Shadows" is quoted to condemn General Bor.

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Comment: The Communists consistently have called the famous Warsaw Rising of August-September 1944 the "Bor Uprising" in an attempt to place the blame for the destruction of Warsaw and the annihilation of many thousands of its inhabitants on General Bor-Komorowski. These attempts have not proved successful, however, in removing the impression which still persists in Poland that Stalin and General Rokossowski's units of the Red Army were responsible for the catastrophe, by their refusal to send help until it was too late to prevent the brutal suppression of the rising by the Germans.

The fact that a public trial is contemplated for General Bor and his Home Army associates suggests that the belief is still strong among the Polish people that the Russians were responsible, and that the Polish Communist leaders consider it necessary to take unusual measures to counteract it.

8. Correction: The last sentence of Item 8, page 5, in the Current Intelligence Digest of 1 August, should read: "It is not unlikely, therefore, that discharged service men are being directed to essential industries." 25X1

9.

Comment: Marshal Tito contends that the USSR, aided and abetted by "reactionary" enemies in the West, is attempting through fabrications and other devious means to isolate Yugoslavia from the West.

The relaxation of Soviet-Satellite border pressures on the Yugoslav frontier, the appearance of stories in the Western press questioning the authenticity of the Cominform break, and conciliatory treatment accorded to Yugoslavia at the June session of the Danubian Commission, lend some credence to Tito's theory.

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12. Syngman Rhee's re-election as South Korean President assured: Syngman Rhee's re-election on 5 August for a four-year term is a foregone conclusion, according to US Ambassador Muccio. His controlling position over the majority of social and patriotic organizations throughout South Korea, as well as the support of the government's propaganda machine, will assure Rhee an overwhelming majority.

A fairly sizeable protest vote may develop, nevertheless, with the majority of these votes going to Cho Pong-am, former National Assembly vice-speaker. Cho has waged the most spirited campaign against Rhee while the two remaining presidential hopefuls have done little more than advance initial declarations of principles to the press.

In the important vice presidential race no less than nine candidates are registered with Yi Pom-sok, widely considered South Korea's second ranking politico and rated as the pre-election favorite. Yi's control of the Liberal Party and his influence in the Taehan Youth Corps give him a tremendous advantage over the other vice presidential aspirants. Stumping the countryside extensively, his major campaign technique has been to sew up the unanimous support of rural organizations.

It has become increasingly clear, however, that Prime Minister Chang Taek-sang and the new Home Minister, Kim Tae-son--undoubtedly under Rhee's instructions--have been diligently trying to stop Yi's election. It appeared to Embassy officials on 1 August, however, that only a public disavowal of Yi by the President could prevent Yi from winning a plurality of the vice presidential votes. [redacted]

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13. French official reports on Chinese economy and morale: The former French Consul General at Shanghai, who left China in late July, sees "no hope" for foreign trade and business interests in China. He states that the Communist administration is effective, but that commerce and industry are "completely ruined."

He also reports that the Chinese populace is apathetic toward the regime and toward the Korean conflict in particular. [redacted]

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Comment: There is no evidence that the strength of the Peiping regime has been seriously reduced by the current economic depression. The depression is acute among private businessmen, but agricultural production and the output of state-operated heavy industries are at comparatively high levels.

Other sources have also reported popular apathy in China recently.

14. Portugal willing to bargain with Peiping on Macao: The American Embassy in Lisbon reports that Foreign Ministry officials fear that Chinese attacks on Macao this week have been directed from Peiping, and are directly related to restrictions on the Macao-China trade. A Foreign Ministry spokesman intimated that Portugal would be "quite willing" to make trade concessions in order to retain Macao. He asked for "understanding" on the part of the United States.

Meanwhile, the Lisbon government has instructed Macao authorities to avoid incidents, but to fight back when attacked. [redacted]

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Comment: The Portuguese Government has firmly resisted American pressure to halt all strategic exports to China because of the "very serious consequences" this would have for Macao. Accordingly, it has applied for presidential exception from the provisions of the Battle Act for a select number of strategic goods.

15. Chinese resume food shipments to Macao: [redacted]

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[redacted] all quiet on the China-Macao border as of 1 August. No information has been received on the progress of negotiations between the Portuguese and the Chinese Communists, but food is again coming into the colony from China and prices are dropping. [redacted]

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Comment: [redacted] contradicting earlier reports, stated on 30 July that food shipments from China to Macao had been stopped.

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Although the resumption of food shipments on 1 August relaxes Communist pressure on Macao, the threat of a new embargo will assure Portuguese complaisance in negotiations with the Chinese. Macao depends on China for most of its food, and the Communists could starve the colony into surrender.

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16. Viet Minh reported weakening in South Vietnam: Desertions of key personnel from Viet Minh security units in South Vietnam are increasing, [redacted]

25X1C [redacted] Deserters are going into French service or into hiding.

In the western sector of South Vietnam, the source states, serious resistance to French operations is impossible because of the weariness and indifference of Viet Minh troops. [redacted]

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Comment: Actually there has recently been an increase in Viet Minh guerrilla warfare in this sector. However, if this report is true, the French may soon be able to shift some forces north to the Tonkin delta.

17. USSR-Indonesian trade discussions conducted in Bangkok: The American Charge in Thailand was reliably informed that Soviet Embassy officials have had discussions with the Indonesian Minister and his commercial staff looking to the signing of a barter trade agreement. The USSR reportedly offered capital goods in exchange for rubber, tin, and coconut oil and allegedly is sending trucks and passenger cars to Indonesia for demonstration. Apparently no understanding has yet been reached. [redacted]

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Chinese-trained Burmese Communists reportedly enter Burma: The American Army Attaché in Bangkok has been told [redacted] that 1,000 Burmese Communist troops, part of a force of three regiments training in China, recently entered northern Burma. Their exact location and mission are unknown. [redacted]

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Comment: [redacted]

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These reports are unconfirmed. A military training program for unknown numbers of Burmese Communists and Kachins has been under way in China for some time.

19. Burmese Defense Minister renews offer to repatriate Chinese Nationalists: A prominent anti-Communist [redacted] has informed the American Embassy in Rangoon that Burmese Defense Minister Ba Swe is renewing his offer to Taipei to

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repatriate Chinese Nationalist troops through Rangoon, and intends to begin military operations against the Nationalists in the fall unless they are evacuated.

The Embassy comments that Ba Swe is apparently sincere, but that his timetable appears to be optimistic and the repatriation of such a large number of troops who have no effective leadership seems impractical. Nevertheless, the Embassy feels that a solution is urgent because an open conflict between Burmese forces and the Nationalists would bring serious repercussions for local anti-Communist Chinese.

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Comment: Burmese Commander in Chief Ne Win recently announced that he was planning an all-out campaign against the Nationalists, who number 7,000 to 10,000. A concentrated Burmese attack on the Nationalists would greatly benefit the Communist and Karen insurgents.

20. Communist military activity in Malaya apparently decreasing: During the week ending 24 July, Malayan police casualties and the total number of Communist-inspired incidents were the lowest in 19 months. This fact, coupled with low civilian casualties, reflects a continued trend toward a slackening of terrorist activity.

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Comment: A document captured during the spring of 1952 admitted the deterioration of the Communist position in Malaya and directed a reduction in military activity and the indoctrination of a wider segment of the population.

NEAR EAST - AFRICA

21. Defection of Liberal deputy eliminates Greek Government majority: The parliamentary majority of the Liberal-EPEK coalition disappeared on 30 July with the resignation from the party of a Liberal deputy from north-central Greece. The Liberal-EPEK coalition now controls 129 seats, exactly half of the membership of parliament.

Former Prime Minister and Greek Rally supporter Papandreou, who reportedly engineered the defection, told the US Embassy that another deputy would leave the Liberal Party

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within a few days. In Papandreou's opinion, this will force the King to dissolve parliament or compel the government to rely on the eight Communist-controlled EDA deputies in order to remain in office.

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Comment: Unable to vote the government out of office, the opposition Greek Rally is trying to bring about its fall through defections.

The King is strongly opposed to Marshal Papagos, the probable victor in new elections, and may prefer to rely on the EDA deputies rather than dissolve parliament.

22. Maher reportedly threatened to resign over question of Egyptian Army control: Egyptian Prime Minister Ali Maher reportedly threatened to resign on 30 July over the army's insistence that two of its candidates be appointed to cabinet posts. As a compromise, however, one of the army's candidates was made chairman of the new "Purification Committee," and the other, Colonel Mohanna, became Minister of Communications.

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- 25X1C both Maher and the Army Committee behind General Nagib have approved plans for purges in all political parties, and that the Army Committee even considered executing former Prime Minister Nahas, a Wafdist.

Comment: This and other recent reports strengthen the impression that the largely unknown army group which forced Farouk's abdication continues to be the determining factor in the present situation. Any action against the Wafd is certain to arouse determined opposition from that party.

Colonel Mohanna reportedly held his cabinet post only three days. His appointment appears to have been an army maneuver to "legalize" his position on the Regency Council.

23. Residency officials in Tunisia consider alternate drastic measures: French Residency officials are considering alternative drastic measures to be applied if the Bey continues to block the proposed administrative reorganization. Deposition of the Bey would remove [redacted] children from the

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Palace entourage, but such action would be a last resort because of the probable Tunisian reaction and world opinion.

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The alternative measure would be to [redacted] the Bey [redacted] and appoint a Council of Regency. The French are not enthusiastic about this possibility since more problems might be created than solved by the elderly triumvirate of princes who would have to be appointed.

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The Residency is also extremely concerned at the virtual standstill of administrative machinery, caused by the Bey's refusal to put his seal on routine decrees. This situation is growing more serious daily because the temporary budget under which the administration operates expires on 1 October.

The American Consul General believes that a prolonged stalemate would increase the probability that the French would take one of the alternatives mentioned. [redacted]

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Comment: The Tunisians would not in the present Bey's lifetime accept a successor.

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WESTERN EUROPE

24. East German Alert Police now reported to number 82,000: American military authorities in Germany estimate that continued recruiting has raised the strength of the East German para-military Alert Police from 70,000 on 1 June to at least 82,000 by 30 July. Reportedly, individuals are now being recruited between the ages of 16 and 30, the basic training period has been extended from four to six weeks, and the recruiting campaign has procured about 34,000 men since 1 April. Recruiting is expected to continue at the same rate.

While each of the 24 Alert Police units consists now of about 3,000 officers and men, the Police must undergo extensive training before it attains any significant offensive capability.

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25. Fear of forced labor or military service increases number of East German refugees: The recent mass flight of refugees into West Berlin was touched off by widespread rumors that the Berlin sector crossing points would be closed on 1 August and by fear of induction into the East German labor and military organizations. Refugees now average 1,000 a day, five times the daily average last spring.

Communist sensitivity to this exodus has been demonstrated by the modification of the propaganda slogans for the rally of Communist youth in East Berlin on 3 August. When the rally was first announced on 19 July, the appeals for youth participation emphasized the "overthrow the Reuter government" theme. This theme was altered on 31 July to "eliminate" the Berlin refugee settlements.

The West Berlin police and the 12,000 Allied troops in the city should be able to handle any incursions from East Berlin. American officials [redacted] believe that the east and west sectors of the city will be completely separated in the near future. [redacted]

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26. Closing of Allied autobahn to Berlin expected: Both the West German Transport Ministry and American officials now believe that the Helmstedt-Berlin autobahn will probably be closed for "repairs" around 1 September. Cranes and repair materials are being assembled near the Elbe River bridge, and a German truck driver was recently told by a Russian officer that the road would soon be closed. [redacted]

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Comment: Although the closing of the Helmstedt autobahn would block all highway access to Berlin by Allied nations, three roads would still be available for German use.

This move would come at a time when canal traffic to West Berlin is expected to be severely restricted because of "repairs" to the main canal and low water in the secondary canal. Soviet authorities have not yet replied to the Allied request for five additional daily trains to Berlin to compensate for the closing of the main canal.

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French "anti-Communist" peace movement seeking British and American labor support: Leon Jouhaux, the prominent French Socialist trade union leader and head of the recently formed "anti-Communist" peace movement, Fighting Democracy, plans to visit Great Britain and the United States in September in order to solicit labor backing, which he considers indispensable to the new movement's success. Reportedly he has the support of President Auriol and eight Cabinet Ministers and is scheduled to meet American labor leaders at a dinner in Washington arranged by Ambassador Bonnet.

According to Louis Dolivet, a promoter of Fighting Democracy who gave this information to American Embassy officials, Jouhaux intends to block the circulation of a left-wing manifesto against the German contractual agreement, and hopes with the aid of British labor to organize demonstrations against the forthcoming World Peace Congress in Vienna. [redacted]

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Comment: In mid-July the Embassy showed considerable skepticism about the effectiveness of Fighting Democracy as an anti-Communist force.

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American officials in Bonn reported on 24 July that, according to a German Socialist leader, AF of L representatives in Paris intend to attack Fighting Democracy and Jouhaux for his "collaboration" with it.

29.

France's arguments for trade treaty with Poland deviate from COCOM principles: Ambassador Dunn in Paris states that France's intention to maintain trade ties with Poland partly for political considerations is not consistent with the agreement in COCOM to judge each trade treaty on its strategic significance and economic advantages. He predicts that France's position will probably be upheld by most of the COCOM countries, and adds that COCOM concurrence in French arguments for the export of List I items may lead to pressure for greater flexibility in COCOM reviews of other trade agreements.

The Ambassador points out that the proposed French-Polish agreement is more advantageous to Poland than last year's. Furthermore, France's argument that it should maintain access to Polish coal for emergencies is not valid, since previous Polish behaviour suggests that coal deliveries would probably be curtailed in emergencies rather than increased. The Ambassador states that a United States offer to be an alternate source of supply in the event of an emergency would reduce the force of the French argument.

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30.

Austrian Socialists charge nationalized bank buys political support: The Austrian Socialist Party is [redacted]

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[redacted] preparing a "relentless campaign" against the Union of Independents (VdU) on the basis of evidence that the VdU is being subsidized by the Creditanstalt, Austria's nationalized, but People's Party-dominated, bank.

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Comment: A strong Socialist attack upon the VdU involves the danger of promoting VdU-People's Party relations with corresponding hazards for the Socialist-People's Party coalition.

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Although the People's Party remains publicly aloof from the VdU,
 [redacted] some People's Party leaders maintain contact with the VdU and have taken steps to preserve the VdU as a functioning party.

The People's Party and the VdU recently defeated a Socialist resolution calling for reforms in Austria's two large nationalized banks, both of which have been accused of illegal diversions of foreign exchange, including ECA dollars. The VdU's support of the People's Party was considered somewhat unusual at the time in view of the former's frequent allegations that the latter is the party of corruption.

31.

Belgian Prime Minister disturbed by controversy over conscription period: The Belgian Prime Minister fears that recent demonstrations against retention of the 24-month conscription period are wrecking army morale and can "definitely lead to a general strike." American officials in Brussels believe that the gravity of the situation is indicated by the Prime Minister's asking them to urge Socialist leaders to cease agitating the issue.

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The Prime Minister states that unless the other EDC countries adopt a 24-month military service period before the Belgian Army maneuvers end in late September, Belgium will reduce its 24-month period. [redacted]

Comment: Since there is no possibility that France and Italy will increase their 18-month conscription periods at this time, the issue for the Belgian Government has become one of announcing the reduction at such a time as to avoid further popular disorders and to minimize the cabinet's loss of prestige.

The 24-hour national protest strike for 9 August, announced by the Socialist Federation of Labor on 2 August, is unlikely to have effects much more serious than those of the sporadic token strikes which have already occurred.

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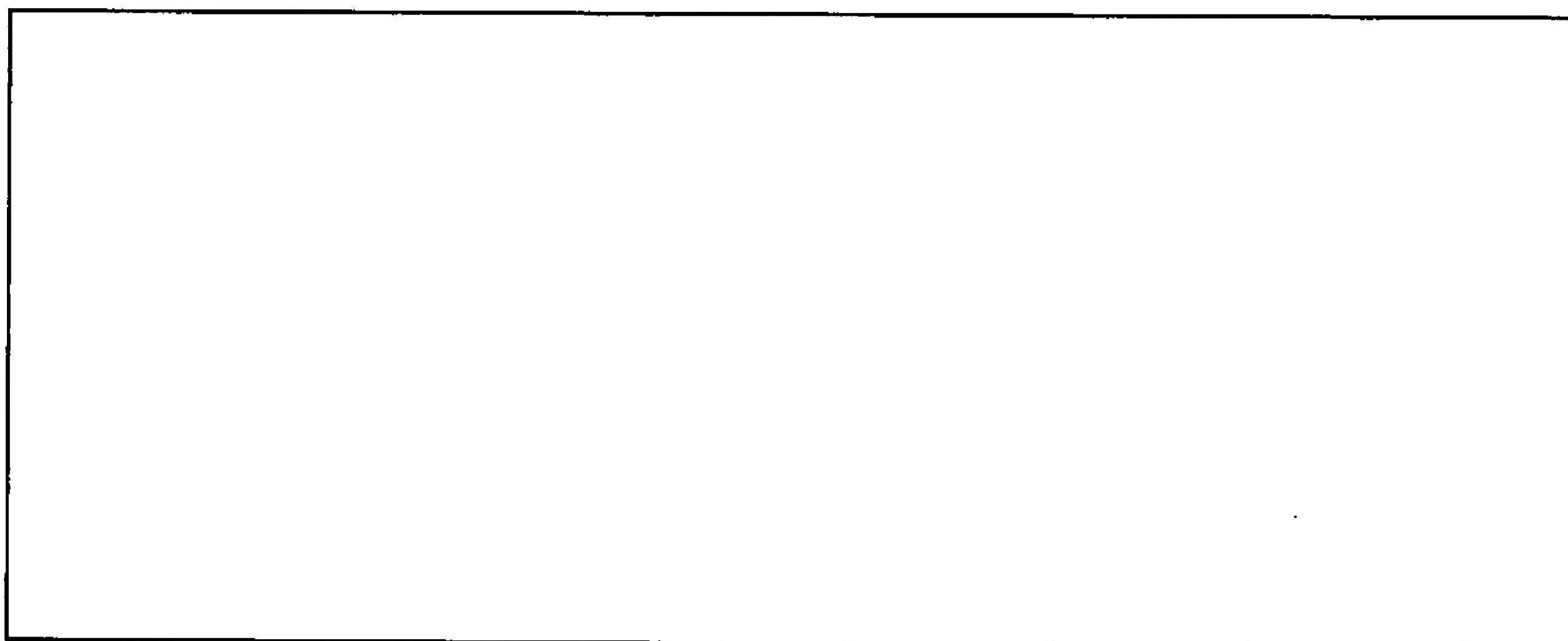
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LATIN AMERICA

33. Peron reportedly desires to resign; army-labor clash seen likely: President Peron has told Argentine army leaders that he desires to resign, [redacted]

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An army coup is expected in 15 to 30 days when crowds viewing Senora de Peron's body have cleared the capital. Brigadier General Filomeno Velazco, former Chief of Federal Police, has reportedly been designated as Peron's successor.

The US Naval Attaché in Buenos Aires comments that a clash between the army and organized labor seems likely, but Peron's desire to resign seems doubtful. [redacted]

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Comment: There are no other indications that Peron desires to resign, although he probably anticipates increasing difficulty in preventing a clash between labor and the army, which objects to labor's powerful political role.

Little is known of General Velazco's activities during the past three years, although they have included governorship of the Province of Corrientes. He has, however, apparently maintained contact with some of the retired army officers involved in the September 1951 abortive revolt.

34. Guatemala buying munitions in Europe: Hubert F. Julian arrived in Geneva on 30 July with over \$200,000 from the Guatemalan

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Government. The money, which will be put in a special account in Geneva by the Rexim Company, will be drawn on as munitions are purchased. Julian is now regarded as the chief buyer for the Guatemalan Government.

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Comment: The Guatemalan Army has long felt the need for more equipment, but presumably feels it politically inexpedient to request US military aid. Some army leaders are seriously concerned over the position of the army vis a vis Communist-dominated organized labor which is reportedly well armed.

The army has dealt with Julian, a US citizen long engaged in international arms deals, several times in the past two years. When Julian was in Guatemala last May, he reportedly signed a contract for \$200,000 worth of arms and ammunition with the Guatemalan Minister of Defense.

Rexim is an international trading company with headquarters in Switzerland. It reportedly acquires munitions from war surplus stocks in Italy and from Spain.

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TOP SECRET SUPPLEMENT

TO THE CURRENT INTELLIGENCE DIGEST

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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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FAR EAST

1. Mao Tse-tung reportedly opposed to new offensive in Korea: 25X1
Mao Tse-tung is opposed to the launching of a new Communist offensive in Korea. [redacted]

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[redacted] Mao's policy was to "pin down" American troops in Korea with minimum Chinese losses. A request last February from the commander of Chinese forces in Korea, for five additional armored divisions and 500 more aircraft, was rejected by Mao on the above grounds, accord- 25X1

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Comment: Although this information supposedly reflects statements made [redacted] by Chinese Communist leaders, none 25X1 of it has been [redacted]. It is thus not clear whether [redacted] failed to report these developments at the time, or invented them for conversational purposes, or has been misrepresented [redacted] 25X1

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In any case, Mao Tse-tung's opposition to a new offensive in Korea has been inferred from the fact that no such offensive has been launched.

The Chinese commander in Korea may at one time have sought a southward commitment of Communist air power, but it is improbable that he would seek a specific number of aircraft. The Korean terrain does not permit the deployment of an armored division as such.

2. Bao Dai's income revealed as \$6,000,000 a year: On the basis of information from official sources, Ambassador Heath estimates that Bao Dai's annual cost to Vietnam is roughly \$6,000,000, or about six percent of the national revenue.

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In addition to his normal allowances, Bao Dai recently requested \$450,000 for a trip to Paris.

Letourneau, who contends that Bao Dai is indispensable, at least for the time being, has not pressed him to economize, apparently fearing that he would threaten to quit. [redacted]

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Comment: Since Bao Dai's return to Indochina in 1949, he has shown himself more concerned with personal pleasure than with affairs of state, despite the heavy financial burdens of the war which are borne almost entirely by France and the United States. He has exercised his broad, though ill-defined powers, in a desultory and irresponsible fashion and has opposed the establishment of representative government.

There is little evidence that Bao Dai's permanent withdrawal from Indochina would be regretted by the Vietnamese.

3. Indonesian President and Defense Minister in conflict over Communists in army: [redacted] 25X1C

25X1C [redacted] told Ambassador Cochran that numerous Communists have infiltrated the army, but that the Defense Minister, the Sultan of Jogjakarta, was resisting President Sukarno's efforts to purge them. [redacted] 25X1C

25X1C [redacted] the "Cabinet situation was tense," and that the Defense Minister might resign and cause the government's fall. [redacted]

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Comment: Considerable information is available on the general disagreement between the Defense Minister and President Sukarno. The failure to improve internal security and the deterioration of conditions in West Java have increased sentiment for an authoritarian government led by Sukarno.

NEAR EAST - AFRICA

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